

APPENDICES

Low-Income Working Group Report

October 1, 1996

The following appendices are missing from the on-line, Internet Adobe Acrobat Portable Document Format file version of this document because they were not supplied.

— California Energy Commission, Web Administrator

Appendix F: A Proposal To Administer Utility Rate Surcharge Funded Low-Income Energy Efficiency Programs & CARE from State of California - Health and Welfare Agency, Department of Community Services and Development.

Appendix G: Cover Memo: Recommendations to the CPUC For Low-Income Programs and Ratepayer Responsible Boards: A Model For Regulated Energy Efficiency Programs In A Restructured Electric Services Industry from Environmental Marketing Group.

Appendix I: Administration of the CARE Program in A Restructured Environment — Universal Telephone Service Act from Latino Issues Forum and The Greenlining Institute.

Appendix K: Consumer Principles For Electric Restructuring Or Consumer Bill of Rights from The Greenlining Institute.

Please contact the CPUC for a printed copy of this entire report, including the above appendices.

Appendix A

REGULATORY AND LEGISLATIVE DIRECTIVES IMPACTING THE WORK OF THE LOW-INCOME WORKING GROUP

REGULATORY AND LEGISLATIVE DIRECTIVES IMPACTING THE WORK OF THE LOW-INCOME WORKING GROUP

BACKGROUND

Since the early 1980's, California's investor-owned utilities (IOUs) have provided a variety of assistance programs, i.e., low-income rate assistance and energy efficiency to low-income ratepayers. California has long been viewed as a leader in the country due to its successes in achieving significant low-income results through these activities.

The Legislature and California Public Utilities Commission (CPUC) have adopted and promoted policies to ensure that low-income programs have been effectively pursued so that California consumers could reap the benefits of these achievements. The CPUC has developed an extensive list of rules related to utility demand-side management (DSM) activities, protocols for measurement and evaluation, and a shareholder incentive mechanism designed to encourage utilities to maximize net resource benefits. Since 1977, the combination of regulatory and non-regulatory efforts has saved California consumers at least \$13 billion.

The CPUC, in its policy decision on electric industry restructuring (Restructuring Policy Decision) has continued the state's commitment to the public policy objectives related to the low-income community¹. It has recognized that many of its policies and procedures for pursuing these objectives through the state's regulated electric utilities must change in light of the changes which will occur in a restructured electric industry. The CPUC has supported a nonbypassable charge to fund low-income and other public purpose activities. It has asked the Low-Income Working Group to investigate necessary changes related to this charge and the manner in which low-income services have been delivered in the past which may be desirable under restructuring.

RESTRUCTURING POLICY DECISION

The CPUC's Restructuring Policy Decision articulated their vision of a competitive framework for the electric services industry. That decision established dates for certain key filings, adopted a procedural workplan for addressing the substantive issues involved in this transition, and sought information on several important implementation issues. The Restructuring Policy Decision provided the following directives to the Working Group:

- Our policy preference is to recover these low-income assistance costs as a surcharge on electricity use separate from other public goods charges. Direct access customers would not be able to evade this surcharge by selecting a supplier other than the utility. We establish this separate low-income assistance surcharge to provide a clear funding source for low-income programs which will not be mingled with funds collected for other purposes. (p 166)
- Funding for low-income rate discounts recovered through a surcharge should not be capped at current levels but should instead be based on need. (p 166)

¹ CPUC Decision 95-12-063 (December 20, 1995) as modified by Decision 96-01-009 (January 10, 1996)

- We would prefer to see the same level of surcharge applied across the state rather than on a service territory basis as occurs today, but recognize that there may be some transition period necessary to accomplish this goal. We will work with the Legislature to develop any legislation needed to facilitate this change. (p 166)
- In the near term the utilities should continue to administer these programs. (p. 167)
There are significant questions regarding how the funds collected for rate discounts would be administered and provided to eligible customers. We need additional information in order to develop the details of how to administer these funds effectively. (p. 167)
- Another unresolved issue is whether the level of funding for low-income efficiency services should be capped or uncapped. We would like to see a more detailed analysis of the need for low-income efficiency services before we decide whether the amount of funds collected for these services should be capped or uncapped. (p. 167-168)
- For example, we would like to see information about the low-income population size, customers served under current utility programs, types of measures installed, and saturation studies, to name just a few. (Footnote 74, p. 168 of CPUC Decision 95-12-063 (December 20, 1995) as modified by Decision 96-01-009 (January 10, 1996))

Findings of Fact

- 82. Low-income assistance has limited rate impact.
- 91. Consumers have been particularly vulnerable to fraud in other newly deregulated industries.

Conclusions of Law

- 1. Our goals in this proceeding are:
to continue to further the public good, as perceived by the Legislature and this Commission, by improving the environment, encouraging the diversity of energy sources, and maintaining a variety of important public purpose programs.
- 78. The need for public purpose programs will continue after restructuring
- 91. Until further action by this Commission, all electric service providers under our jurisdiction should be required to offer eligible customers baseline service consistent with §739.
- 92. Low-income assistance costs should be recovered as a surcharge on electricity use separate from other public goods charges.
- 93. Funding for low-income rate discounts recovered through a surcharge should not be capped at current levels but should instead be based on need.
- 94. CARE funds should be used for a customer discount that appears on the bill rather than an after-the-fact refund or rebate.

Ordering Paragraphs

- 33. Unless and until we determine otherwise, all electric service providers under our jurisdiction shall offer eligible customers baseline rates, consistent with PU Code § 739.
- 34. PG&E, SCE, and SDG&E shall establish a surcharge to recover low-income assistance costs that is separate from other public goods charges, once the

appropriate legislation is enacted. CARE funds shall be used to provide a customer discount that is reflected on each monthly bill.

ROADMAP DECISION

The draft Roadmap was issued on February 5, 1996, along with a Coordinating Commissioner's Ruling requesting comments on the Roadmap itself and asking parties to address specific issues. The Roadmap was modified based upon comments made by participating parties. Each Commissioner was assigned to a broadly grouped issue area. The March 13, 1996 Roadmap Decision (D.96-03-022), along with reiterating the Restructuring Policy Decision, provided the following directives on low-income issues:

- In our policy decision, we have called for a surcharge to recover low-income assistance costs that is separate from other public goods charges. A separate surcharge is important, so that a distinct funding source is in place for low-income programs. (p. 29)
- We require that the utilities continue to administer these programs in the short run. Over the long term, it may be appropriate to move the administration of these funds to an independent entity. (p. 29)
- Before we can explore a long-term approach to low-income assistance, we require additional information from the parties on the necessary level of funding (both short term and long term and on developing the details of administering these funds and providing them to eligible customers. (p. 29)
- We need more information that will allow us to develop a viable implementation approach for baseline rates under the adopted market structure. (p. 29)

The Low-Income Working Group was directed to provide the CPUC, by September 6, 1996, with the following:

- A needs analysis for CARE and low-income efficiency services,
- Funding proposals based on needs analysis,
- An analysis of impact of treatment of electric low-income programs on non-respondent investor-owned utilities and on gas utilities
- Independent administration proposals,
- Baseline rate issues,
- Surcharge implementation/collection proposals, and
legislation to implement the surcharge

JOINT ASSIGNED COMMISSIONER'S RULINGS

On April 4, 1996, a Joint Assigned Commissioners' Ruling (ACR) set forth the process to start implementation of the Commission's Electric Restructuring Roadmap (D.96-03-022) in the topic areas of Consumer Choice and Public Purpose Programs. Commissioner Neeper was named the lead Assigned Commissioner for Renewables and Public Purpose Programs (including Energy Efficiency, Low-Income Programs and Research, Development and Demonstration issues).

The April 4 ACR scheduled a Scoping Workshop on April 22, 1996 to discuss timelines, interaction with the Commission, and other related matters. Parties or representatives of prospective Working Groups were requested to file and serve statements of issues, which

identified all issues that parties believed the Working Groups should address, by no later than April 16, 1996. Furthermore the ACR established criteria for formation of Working Groups.

On May 17, 1996, following the Scoping Workshop, another ACR was issued to provide additional procedural guidance with respect to implementation of the Commission's Electric Restructuring Policy Decision and the Roadmap Decision in the topic areas of Consumer Choice and Low-Income Programs. The ruling restated the Working Group criteria, requested a web-site address, contact person and phone number, and a list of scheduled meetings from each Working Group, and provided a facilitator to the Low-Income Working Group. At this time the Assigned Commissioner also requested formal recognition of the Working Groups. The ACR provided the following additional directives to the Working Group:

- ...that there will be no change to low-income policies without enabling legislation effecting such a change.
- Parties also asked whether it was appropriate to explore combining funding for low-income activities into the Public Goods Charge (PGC). Again, we refer the parties to the Policy Decision, where the Commission contemplated the establishment of a low-income surcharge distinct from the PGC. We expect the working group to offer options to implement the two charges separately.
- Parties at the Scoping Meeting observed the need to integrate low-income interests and issues with other working group efforts such as energy efficiency, consumer choice and unbundling. As we have indicated, the individual working groups should coordinate their efforts with other working groups. In addition, we continue to encourage all the working groups to pursue additional outreach efforts to ensure the broadest possible participation of affected parties.

On June 20, 1996, Michelle Cooke of the Commission Advisory and Compliance Division (CACD) issued a memorandum to the Low-Income Working Group, directing that the scope of work to be considered by the group be expanded to include natural gas issues, pursuant to Senate Bill 678. The bill requires the CPUC to report to the Legislature by July 1, 1997, on a recommended approach to financing low-income public purpose programs that does not provide a competitive imbalance between utility natural gas providers and nonutility natural gas providers.

On September 4, 1996, an ACR was issued addressing the Energy Efficiency, Renewables, and Low-Income Working Groups. The extension for submission of the Low-Income Working Group report to September 24, 1996 was approved as well as establishment of the schedule for comments on the reports submitted by the various working groups. This ruling also requested that the Working Groups review Assembly Bill (AB) 1890 and determine its impact on their reports. Finally, a pre-hearing conference is scheduled for November 7, 1996 to address the need for evidentiary hearings on public purpose issues and to establish schedules for testimony and evidentiary hearings, if necessary. Comments on the Low-Income Working Group Report are due on October 24, 1996, with reply comments due on November 1, 1996.

LEGISLATIVE GUIDANCE - AB 1890

On September 23, 1996, Governor Wilson signed AB 1890 which addresses a wide range of issues shaping Electric Industry Restructuring. Key elements impacting low-income programs

are contained in Section §368, §382, and §397 of the California Public Utilities code as established in AB 1890.

Section §368 and §397 cap electric IOU rates at levels in existence June 10, 1996. Section 382 requires funding for low-income programs at not less than 1996 authorized levels based on an assessment of customer need.

Appendix B

LEGISLATIVE AND REGULATORY HISTORY OF BASELINE RATES

LEGISLATIVE AND REGULATORY HISTORY OF BASELINE RATES

INTRODUCTION

Baseline rates apply to specific volumes of residential usage (kilowatt-hour (kWh) or therms) that represent a portion of the reasonable energy needs of the average residential consumer. Baseline rates (or price per unit of energy consumed) are established by the California Public Utilities Commission (CPUC). Investor-owned utilities (IOUs) under the jurisdiction of the CPUC are required to offer baseline rates to their residential customers. Baseline rates are less than non-baseline rates.

Baseline rates are available to all residential customers regardless of meter type (individual, submeter, or master meter) or dwelling type (single-family or multi-family). Qualifying usage is limited to the baseline allowance (discussed below). However, since the “first” energy used in the home is billed at the lower baseline rate, residential customers generally have some or all of their usage billed at a lower rate.

Baseline rates were not created to exclusively benefit low-income customers because they clearly benefit low usage customers. Low-income customers typically use less energy than the average residential customer. Their low energy usage may enable many low-income customers to stay within the baseline allowance and be billed entirely or predominantly at the baseline rate. This will translate into lower energy bills for these consumers.

REVIEW BY THE LOW-INCOME WORKING GROUP

The Low-Income Working Group (Group) was asked to include baseline rates in its assessment of electric restructuring issues affecting low-income customers. Most of the Group agreed that low-income customers must not be harmed by the electric industry restructuring. These Parties have assessed the affect of modifying or eliminating the inverted rate structure and make recommendations to assure low-income customers are not harmed.

INVERTED RATE STRUCTURE

The California Public Utilities (PU) Code requires that the CPUC establish an inverted rate structure for residential rates. This means that the baseline (or Tier I) rate is less than the non-baseline (or Tier II) rate. PU Code §739.7. states:

In establishing residential rates, the Commission shall retain an appropriate inverted rate structure. If the Commission increases baseline rates pursuant to §739, revenues resulting from those increases shall be used exclusively to reduce non-baseline Residential rates.

PU Code §739. (c)(1) states:

The baseline rates shall apply to the first or lowest block of an increasing block rate structure, which shall be the baseline quantity. In establishing these rates the Commission shall avoid excessive rate increases for residential customers, and shall establish an appropriate gradual differential between the rates for the respective block of usage.

BASELINE ALLOWANCE

PU Code §739.(d)(1) provides that the residential baseline allowance be set between 50 and 60 percent of the average residential consumption in the summer season and between 60 and 70 percent in the winter season. This requirement establishes a seasonal variation in the daily energy allowance. For some utilities, this means that the gas and all-electric allowance is higher in the winter season (the peak heating season) and greater for some customers with both gas and electric service in the summer season (the peak cooling season).

Baseline allowances also vary by climate zone. The more extreme the weather conditions in the climate zone, the greater the daily energy allowance.

LIFELINE RATES

Lifeline rates preceded baseline rates as an inverted tier residential rate structure. In the early 1970's, the price of crude oil increased because of the Mideast oil embargo. This caused worldwide energy prices to rapidly increase. California was not spared.

The Miller-Warren Energy Lifeline Act was passed by the Legislature in 1975 in response to rapidly escalating energy prices, for implementation in 1977. The legislature acted to protect residential consumers from escalating energy costs. Another purpose of lifeline rates was to encourage energy conservation by making consumption above the lifeline allowance more expensive.

BASELINE RATES

In September 1982, the Legislature adopted a bill that replaced "lifeline" with "baseline" rates. The major difference was in how the allowance for usage subject to the lower rates was established. Lifeline allowances had been specified for individual end uses (e.g., space heating, water heating, lighting, etc.). Baseline allowances were set according to average residential use. The legislation directed that the CPUC initially set baseline rates between 15 and 25 percent below the system average rate for energy. (This method was subsequently changed). The statute also established a formula under which the initial baseline allocation between baseline and non-baseline rates would automatically increase as the average rate for residential customers increased.

The winter of 1986/87 had been unusually cold, resulting in extremely high gas bills for many residential customers - their space heating usage was well above their baseline allowances. The formula resulted in non-baseline rates that were 50 percent higher than baseline electricity rates,

and three times that of baseline gas rates. This caused the Legislature to enact Senate Bill 987 in June 1987. The legislation directed the CPUC to begin closing the gap by lowering the non-baseline rates and increasing the baseline rate.

The Legislature also felt that the tier closure would burden low-income customers, since their electric bills were likely to rise as a result of tier closure. The Legislature directed the CPUC to establish a program to assist low-income customers. The CPUC adopted the Low-Income Ratepayer Assistance program pursuant to Decision Nos. 89-07-062 and 89-09-044.

OTHER POSITIONS ON BASELINE ISSUES

Many Parties encourage the re-examination of the assumptions underlying baseline rates. Some of these Parties subscribe to the economic efficiency argument that inverted block rate structures, such as baseline, violate the principle of cost-based rates. They result in a cross-subsidization of small users by large users. This effect applies equally to gas and electricity cost structures.

Two reasons are given for why these Parties propose the above. First, the marginal cost of electricity or gas is no longer higher than the average cost, which was the case when baseline rates were created. So it is inappropriate to send price signals to customers that additional consumption is more costly when, in fact, the reverse is true. Second, the vast majority of fixed costs should not be spread to customers on the basis of consumption. Fixed and variable costs should be separately allocated to customers, proportionate to the costs these customers cause. The concept of baseline rates violates the principle of cost-based rates because the smaller users may have some of their fixed costs subsidized by larger users.

Other Parties support the inverted block rate structure of baseline rates. These Parties support baseline rates because they may more accurately reflect the lower cost of serving smaller residential customers. They therefore question the validity of the argument that baseline rates cause large residential consumers to subsidize small consumers. For example, the utility can service some residential dwelling types (like multi-family) more cheaply than others (single family dwellings) on a cents-per-kWh or therm basis. Yet the utilities do not presently differentiate the “variable” fixed costs, but instead spreads them across the entire residential class. Though the effect is real, the data have not yet been produced to divide consumption patterns of residential customers into small and large consumers. Until such data are available and analyzed, the assumption that a subsidization occurs should be viewed skeptically.

Appendix C

LEGISLATIVE AND REGULATORY HISTORY OF LOW-INCOME ENERGY EFFICIENCY PROGRAMS

LEGISLATIVE AND REGULATORY HISTORY OF LOW-INCOME ENERGY EFFICIENCY PROGRAMS

INTRODUCTION

The initial impetus for federal and state action to conserve energy was the 1973-74 oil embargo and ensuing energy crisis. California Public Utilities Commission (CPUC) conservation programs were developed in response to concerns expressed by consumers about rapidly escalating energy rates.

By 1976, California's investor-owned utilities (IOUs) were actively promoting energy conservation programs. Sections §2781 through §2788 of the Public Utilities (PU) Code were adopted by the CPUC which instituted a ratepayer-funded home insulation assistance and financing program. IOUs were directed to develop conservation programs which would provide incentives, such as zero and low interest loans, to residential customers for the installation of attic insulation and other energy conservation measures in their home.

In 1976 the federal government began subsidizing low-income weatherization programs in California through the California Department of Economic Opportunity, now known as the Department of Community Services and Development (CSD). CSD entered into contracts with many community based organizations (CBOs) for the delivery of weatherization services to income-qualified homes. Several thousand low-income households were weatherized by this CBO network statewide.

The initial federal weatherization programs and CPUC mandated conservation programs placed an emphasis on reducing heating requirements.

NATIONAL ENERGY CONSERVATION POLICY ACT OF 1980

The National Energy Conservation Policy Act (NECPA) of 1980 mandated the Residential Conservation Services Program (RCS Audits) and IOUs began to offer comprehensive audits which complied with California State Residential Service Program standards. NECPA also required that 10 percent of all utility conservation funds be allocated to providing services to low-income households to address equity and parity concerns. By the end of 1981, there was no established mechanism to ensure direct conservation services were being provided to low-income customers by IOUs.

In 1982, San Diego Gas and Electric Company (SDG&E) initiated its Direct Weatherization Assistance (DWA) program which provided attic insulation and other conservation measures to low-income, single family households at no charge. In 1983 Pacific Gas & Electric (PG&E) and Southern California Gas Company (SoCalGas) initiated similar programs for their low-income customers.

In 1987, because saturation of the targeted low-income market had been achieved, the CPUC authorized SDG&E to terminate its DWA program and replace it with an energy education

program. SDG&E implemented its Energy Education For Low-income Program in 1988. Other IOUs began to request reductions in conservation expenditures in response to increased costs and market saturation.

SENATE BILL 845 (Rosenthal)

In 1989, Senate Bill (SB) 845 was enacted and became law in 1990. SB 845 added section §2790 to the PU Code and directed the CPUC to require gas and electric corporations to perform home weatherization services to low-income households if the CPUC determined that a significant need for those services exists in the corporation's service territory taking both the cost effectiveness of the services and the policy of reducing low-income hardships into consideration. The legislation defined "weatherization" to include: 1) attic insulation, 2) caulking, 3) weatherstripping, 4) low flow shower heads, 5) water heater blankets, and 6) door and building envelope repairs which reduce infiltration. These measures came to be called "Big Six" measures. SB 845 also determined that "weatherization" may include other building conservation measures, energy-efficient appliances, and energy education programs determined by the CPUC to be feasible, taking into consideration the cost effectiveness of the measures and the policy of reducing hardships faced by low-income households.

1989 COLLABORATIVE

In early 1989, several of California's major energy policy stakeholders began voicing concern over the need to revisit California's commitment to achieving energy savings and environmental benefits through utility conservation programs. In response, a collaborative process among policy stakeholders was initiated in an effort to reinvigorate demand-side management activities in California. A primary objective of the collaborative was to take advantage of dramatic improvements in energy-efficient technologies in the development of revised demand-side management programs. The CPUC urged the parties to address the concept of utility shareholder incentives for increased investment in energy efficiency and to determine what form the incentives should take. The goal of utility incentives "is to promote durable, persistent, and reliable energy savings."¹

It was during this effort that many of the IOUs incorporated the requirements outlined in SB 845 into new or revised low-income weatherization programs which served as the basis for current utility low-income energy efficiency programs or Direct Assistance Programs (DAP). The Low-Income Policy adopted by the collaborative stated:

"the primary purpose of low-income direct assistance is to provide meaningful assistance to low-income and other disadvantaged customers in lowering their utility bills and reducing consumption. Equity concerns have historically justified (and currently justify) funding of special low-income programs because low-income customers did not or could not take advantage of regular residential programs. Such direct assistance programs are justified by the societal goal of making energy services available to low-income individuals, rather than by strict cost-effectiveness evaluations. Direct assistance programs should be provided in the form of installation, at little or no

¹ An Energy Efficiency Blueprint for California, January 1990.

cost to the low-income participant, of conservation materials or energy-efficient appliances which reduce energy use and bills of the participant. Assistance should also include recommendations to the occupant on relevant practices which can further reduce the customer's bills."

In the development of shareholder incentive mechanisms for low-income programs, it was determined that IOU expenditures for the installation of "Big Six" measures were mandated by SB 845 and, therefore, did not qualify for shareholder earnings. However, IOUs were authorized to receive nominal shareholder earnings on other measures that improve energy efficiency for low-income customers such as: compact fluorescent light bulbs, furnace filters, duct wrap, appliance services (including repair and replacement) and in-home education.

By 1995, the list of measures being offered to low-income households through various Direct Assistance Programs (DAPs) in California by both the IOUs and CSD included: refrigerator replacement or replacement incentives, compact fluorescent light bulbs, energy efficient porch light fixtures, residential security lighting, evaporative cooler installations, evaporative cooler covers, maintenance/repair, blower door directed duct sealing (CSD only), gas furnace filter replacement, gas furnace tune-up/repair, gas furnace replacement, air conditioner replacement, "other" appliance replacement, set-back thermostats, shade screens, and storm windows.

INCOME ELIGIBILITY GUIDELINES

The CPUC adopted a general income-eligibility guideline for receiving DAP services at 150 percent of the federal poverty guidelines set annually by the Department of Health and Human Services, consistent with the guidelines established for federally funded programs. DAP programs also adopted an income guideline of 200 percent of the federal poverty guidelines for seniors and disabled persons. In 1992, CPUC Resolution E-3254 adjusted the income guidelines for low-income energy efficiency programs to be the same as income guidelines for the Low-Income Ratepayer Assistance Program (LIRA) and maintained the allowance of 200 percent of federal poverty guidelines for customers 60 years of age and older and for handicapped persons. Tariff revisions resulting from this Resolution became effective March 8, 1992.

Appendix D

LEGISLATIVE AND REGULATORY HISTORY OF LOW-INCOME RATE ASSISTANCE PROGRAMS

LEGISLATIVE AND REGULATORY HISTORY OF LOW-INCOME RATE ASSISTANCE PROGRAMS

INTRODUCTION

There are two utility low-income ratepayer assistance programs available to qualifying customers in California, the Universal Lifeline Telephone Service (ULTS) and the California Alternate Rates for Energy (CARE) program. Both of these programs were begun in the 1980's, and are intended to provide assistance to customers in the form of affordable basic telephone service rates or reduced energy rates.

UNIVERSAL LIFELINE TELEPHONE SERVICE

California's first ratepayer assistance program was the ULTS which was established by the Moore Universal Telephone Service Act. The objective of the Act was to provide all Californians access to the telephone network. Section 871.5 of the PU Code carried forth the legislation by declaring: "The offering of high quality basic telephone service at affordable rates to the greatest number of citizens has been a long-standing goal of the state." ULTS has been available to qualifying customers since October 1984.

To qualify for ULTS, total household income from all sources must be no more than approximately 150 percent of the federal poverty level (FPL). Customers self certify that they meet the income-eligibility guidelines. There is no verification of a program participant's income level. In the absence of income verification, the state of California receives 50 percent of its end-user line charge (EULC) or interstate direct access charge subsidy from the Federal Communications Commission (FCC). Currently, the state collects the remaining 50 percent of the EULC subsidy via the ULTS charge. If household income were verified for ULTS participants, the state would receive 100 percent of the funding for the EULC from the FCC.

ULTS is administered by a trust. This trust is governed by a board comprised of a representative(s) from large and small telephone carriers, long distance carriers and consumer groups (e.g., Toward Utility Rate Normalization and Consumer Action).

Each telephone carrier administers its own low-income program and is responsible for collecting the ULTS surcharge from its customers. A carrier then remits the surcharge funds collected to the ULTS trust fund and is reimbursed for lost revenue (difference between tariffed residential rates and ULTS rates) and incremental administrative program expenses. A uniform statewide surcharge rate, based upon projected revenues of all telephone carriers for the upcoming year, is authorized by the California Public Utilities Commission (CPUC) based on the recommendation of the trust fund board to cover anticipated expenses.

CALIFORNIA ALTERNATE RATES FOR ENERGY

In 1987, the California Legislature enacted SB 987 which granted the CPUC greater flexibility in pricing baseline service for electricity and natural gas. The bill was enacted in response to high winter bills caused by a disparity in baseline and non-baseline rates. The bill directed the CPUC

to gradually narrow the gap in rates and establish a low-income ratepayer assistance program to mitigate the impact on low-income customers caused by the narrowing of the baseline/non-baseline differential. The cost of the assistance program was not to be borne solely by any single class of customer.

In November, 1989, the CPUC authorized the implementation of the Low Income Ratepayer Assistance (LIRA) program pursuant to Decision Nos. 89-07-062 and 89-09-044. Subsequently, in Decision 94-12-049, the program was renamed and hereafter referred to as the CARE program. The CARE program provides income qualified ratepayers with a 15 percent discount on their energy rates (baseline and non-baseline) and monthly customer charges. Initially, only customers on residential or domestic rate schedules were eligible to receive the CARE discount. The CPUC established the same household income-eligibility guidelines for the CARE program as it had adopted for the ULTS program or approximately 150 percent of the FPL. Some utilities are authorized, at the time of application for the CARE discount, to verify program eligibility up-front. Other utilities are authorized to randomly select customer accounts for program eligibility verification. CARE is funded through a surcharge collected by each investor-owned utility to cover the cost of administering its own program plus the cost of the rate subsidy or discount. There is no uniform statewide CARE surcharge or CARE trust fund. Each utility's CARE surcharge rate is set in their general rate case, attrition or other cost offset proceedings.

Since 1989, a number of legislative initiatives and CPUC decisions have impacted the program.

- SB 693 (California Public Utilities (PU) Code 739.1.(b)) extended CARE benefits to qualifying non-profit group living facilities.
- SB 491 (California PU Code 739.1.(a) & (b)) changed the program's name and modified CARE to include women's shelters, hospices, and homeless shelters.
- AB 3429 (California PU Code 739.2) expanded the CARE program to include migrant farmworker housing, employee housing, and agricultural employee housing.

With the changes resulting from SB 491 and AB 3429, the 15 percent discount is available to selected customers on commercial rate schedules.

Currently, there are various CARE related issues which are pending CPUC resolution or program undertakings which may influence the design of future CARE programs. In December 1994, the CPUC issued an Order Instituting Rulemaking R. 94-12-001 to consider changing the current income-based criteria used to determine eligibility for CARE and ULTS. There has been no resolution by the CPUC of the issues raised in the Rulemaking. Finally, pursuant to Resolution G-3182, dated March 13, 1996, SoCalGas was authorized to implement a pilot program of slightly less than two years to verify the income of all CARE applicants up-front. The first interim report on the pilot's results has not yet been submitted to the CPUC.

Appendix E

ENERGY EDUCATION BACKGROUND AND HISTORY

ENERGY EDUCATION BACKGROUND AND HISTORY

There is almost universal agreement among energy policy makers and service providers that energy education is an important and useful component of overall energy policy in California. Energy education is encouraged by the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), and in PU Code Section 2790. Energy education can provide the information necessary for a consumer to make decisions and take actions to control their energy consumption.

From the 1970's to the mid-1980's energy education projects were not intended to directly produce measurable energy savings but, instead, were intended to "increase awareness" and/or create positive attitudes toward what was then called "energy conservation." These programs were operated primarily by utility companies. Soon, a variety of organizations operated some form of energy education program, usually on a pilot basis. Throughout the 1980's, along with utility-sponsored programs, the California Energy Extension Service, as well as the State or California Department of Community Services and Development (previously known as the Department of Economic Opportunity) sponsored dozens of projects targeted to specific groups of energy users, including low-income, ethnic and language minority groups, through a variety of methods and formats.

As programs evolved and began attempting to produce measurable savings by emphasizing the installation of energy efficiency measures and encouraging certain types of conservation behavior by the dwelling occupants, most suffered from design flaws which prevented them from reliably linking education to savings. But data did show the programs to be effective in creating awareness of energy saving measures and practices. When questioned, energy education participants generally reported they were implementing specific energy saving practices as a result of the education provided.

Finally in the 1990's, the CPUC, the utilities, the CEC, Natural Resources Defense Council and other "stakeholders" collaborated on the establishment of protocols for the measurement and evaluation of energy efficiency efforts. Reflecting the absence of data which, by California's agreed upon standards, reliably links energy education to measurable energy savings, the CPUC classified energy education programs under the heading of "Information Programs" and stated "No cost-effectiveness analysis is expected due to the inherent difficulties in attributing load impacts."

Pacific Gas & Electric Company, San Diego Gas & Electric Company (SDG&E), and the Southern California Gas Company currently deliver energy education services in-home during the home assessment stage of their low-income weatherization programs. SDG&E and Southern California Gas Company also utilize Community-Based Organizations to deliver energy education to low-income customers in a workshop setting. Southern California Edison does not have its own separate low-income energy education program.

Each of the utility energy education programs, and virtually all previous energy education projects, provide information on installed measures, and energy saving practices and their effect on the amount of the customer's monthly energy bill, while encouraging them to take actions to control their consumption of gas and electricity.

Appendix H

- **PROPOSAL OF RESIDENTIAL ENERGY SERVICES COMPANIES' UNITED EFFORT (RESCUE)/SESCO FOR ADMINISTRATION OF LOW-INCOME PROGRAMS**
- **A TALE OF TWO DSM LOW-INCOME RESIDENTIAL PERFORMANCE BIDDING PROJECTS IN OREGON (by Kevin Bell and Daniel Meek)**

PROPOSAL OF RESCUE/SESCO FOR ADMINISTRATION OF LOW-INCOME PROGRAMS

Note: This proposal is endorsed by the California Energy Commission (CEC) staff, with one variation described below. TURN endorses this proposal, insofar as it would achieve independent, non-utility administration of low-income energy efficiency activities--a feature of paramount importance to be achieved as expeditiously as possible.¹

The Residential Energy Services Companies' United Effort (RESCUE) is a trade organization representing several ESCOs that specialize in residential energy efficiency. One of its members is SESCO, one of the nation's largest residential ESCOs.

RESCUE/SESCO recommends that low-income programs be implemented by one or more independent administrators in a system based primarily upon the proposal of the CPUC Division of Ratepayer Advocates (DRA) to the Energy Efficiency (EE) Working Group. The "Low-Income Administrator(s)" (LIAs) could work under the same structure as the EE Administrator(s). Except where noted, the proposal incorporates the features presented by DRA in *Funding and Administering Public Interest Energy Efficiency Programs* (Report of the Energy Efficiency Working Group), August 16, 1996, pp. 4-10 - 4-11 and Appendix A (DRA proposal therein).

Policy Setting

A Governing Board for Low-Income Energy Assistance (GB-LIEA) of public officials would address policy matters in the use surcharges for low-income energy efficiency (LIEE) and low-income customer equity (CARES).

CEC staff proposes that the CPUC, CEC, and California Department of Community Services and Development (CSD) would each appoint one member to the GB-LIEA. To RESCUE/SESCO, this allocation of the power to appoint is not critical. Alternatives could include (1) appointment of members by the Governor and/or the Legislature or by various combinations of the agencies, Governor, and Legislature, or (2) the CPUC itself acting as the GB-LIEA for activities in IOU service areas.

GB-LIEA members would be subject to the usual financial disclosure and conflict of interest rules applicable to government officials (and would no doubt be subject to scrutiny by the press, as they would be administering hundreds of millions of dollars of public funds).

The GB-LIEA could be the same as the GB for Energy Efficiency (GB-EE or "CEEX Governing Board" in the terms of the DRA proposal for EE administration). Or the GB-LIEA could be separate from the GB-EE, with the boards sharing offices, staff and other resources to avoid duplication. In any event, it should convene an Low-Income Advisory Committee

¹. While TURN does not yet take a position on the other details of the proposal, TURN fully embraces its timely introduction of independent administration.

consisting of persons interested in low-income energy assistance issues. As the GB-LIEA would be assuming responsibility for subject matters now addressed by other state agencies (including CPUC and CEC), staffs of those agencies could be reduced (or transferred).

Funding Levels

The annual funding levels for LIEE and CARE would be determined by the GB-LIEA, implementing the criteria set forth by the Legislature in AB 1890 and subsequent legislation. The GB-LIEA would ensure that the funds are widely distributed to all regions of the state where the surcharge is paid.

Administrative Management

Administration of EE programs would be handled by one or more independent administrators, including an EE Administrator(s) and Low-Income Administrator(s) (LIAs). Within the low-income area, there could be separate administration of LIEE and CARES. For example, LIEE might be administered by regional LIAs, with CARES administered by a statewide entity, such as CSD. The options below are concerned primarily with administration of LIEE programs.

1. Option A: The GB-LIEA would conduct competitive bidding to select several LIAs, each operating regionally, in order to provide coverage to all residents.

The LIAs should be nonprofit entities and could be formed by existing nonprofits concerned with low-income energy issues. The GB-LIEA should use competition to select LIAs and to assess their relative performance, if more than one such nonprofit entity seeks to perform the role of LIA in a particular region. The GB-LIEA would select several LIAs and sign 2-year contracts with each. After one year, the GB-LIEA would be able to assess the relative performance of the LIAs and adjust allocation funds toward the more effective LIAs, whose activities could then expand. All LIA contracts would be subject to competitive bidding.

All board members of any LIA must be subject to the financial disclosure and conflict of interest rules that would apply to government officials. A financially self-interested LIA board, consisting of persons who could capture unwarranted benefits for themselves or their companies through the administration of public funds for low-income energy assistance, would severely compromise the entire effort by raising in the public mind the likelihood of mutual back-scratching and implicit deals by board members to obtain funding for their own projects or relaxed scrutiny of the effectiveness of their projects. This is a critical feature.

As the utility distribution companies (UDCs) and ESCOs or other commercial providers of EE services are not nonprofit entities, they would not be eligible to administer public funds as LIAs (as their boards of directors would clearly have a financial interest in the allocation of the funds). They could, however, compete with all other qualified energy services providers to win contracts to provide energy efficiency (including education) services to low-income households.

The utilities should not be LIAs, for several reasons. First, as the Sierra Club noted in the Report of the Energy Efficiency Working Group, August 16, 1996, p. 4-13:

In addition, utilities remaining in the generation business have an inescapable conflict with the growth of competitive efficiency markets. While this conflict might be minimized by giving sufficient incentives,² they serve to protect the utilities from the very competition the Commission has pledged to nurture. Furthermore, experience has shown that such incentives are exceedingly expensive and unreliable.

This conflict would apply to the UDCs, whether or not they remain generators, as their revenue would continue to depend upon the volume of sales to their distribution service customers. The supporters of the proposal to allow the utilities to continue to administer EE funds recognized this potential conflict of interest.

Current CPUC policy ensures there is no linkage between utilities' recovery of fixed transmission and distribution costs and their retail kilowatt-hour sales. Although the specific mechanism may change as restructuring proceeds, this issue must be addressed for UDC's to avoid conflicting incentives.

Report of the Energy Efficiency Working Group, August 16, 1996, p. 4-18 (statement provided by the utilities' coalition).

Second, if utilities were allowed to compete with other organizations to become LIAs, there would be the threat of anti-competitive use of the utility's regulated resources (cross-subsidization), rendering the competition an empty exercise. Such cross-subsidization may also impair competition in the provision of EE services, which may warrant excluding the UDCs from seeking to provide such services under contract with LIAs. There are numerous EE services providers in California (ESCOs, CBOs, insulation contractors) not linked to utilities.

2. **Option B: The GB-LIEA would conduct competitive bidding to select one nonprofit LIA to operate and subcontract statewide, as in the DRA proposal for EE Administrator.** The statewide LIA would then hire regional or local non-utility entities to implement the low-income programs. CSD would appear to be a strong potential contender for the role of statewide LIA, as would a consortium of CBOs.
3. **Option C: Selection as LIA would be open to utilities and other for-profit entities and would not necessarily proceed by means of competitive bidding.** The CEC staff's variation to the RESCUE/SESCO proposal would allow the GB-LIEA to select utilities or other for-profit entities, such as ESCOs, to be LIAs and would not specify that the GB-LIEA select LIAs by means of competitive bidding. Note: RESCUE/SESCO and TURN oppose this variation.

Program Planning and Development

The LIAs would develop program plans, subject to approval of the GB-LIEA.

Program Implementation

The LIAs would develop programs and contract for work, including (1) implementation of the CARE and other assistance programs and (2) implementation of LIEE work, which would include (1) "pay for performance" competitive bidding or "standard offers," with payment to contractors linked to actual *ex post* measured energy savings achieved in treated dwellings, (2) the offering of a baseline level of EE services to all requesting qualified households (including compact fluorescent bulbs and energy education), and (3) a price consideration for the comprehensiveness of the EE treatments, to discourage superficial treatments and the creation of "lost-opportunities"--EE potential that could not subsequently be realized due to the unavoidable fixed costs of visiting the housing site.

For information about "standard offer" EE programs, see Report of the Energy Efficiency Working Group, August 16, 1996, Appendix A, SESCO p. 3. For documentation that "pay for performance" contracting can dramatically improve the cost-effectiveness of LIEE programs, see *A Tale of Two DSM Low-Income Residential Performance Bidding Projects in Oregon*, American Council for An Energy Efficient Economy (ACEEE) Proceedings 1996, Volume 3 (Appendix ____ to this Report of the CPUC Low-Income Working Group). That report concluded that switching to a "pay for performance" system reduced the cost of saving electricity by a factor of six (compared with the same utility's conventional low-income weatherization program), while more than doubling the amount energy saved per house treated. Compared with a "pay per measure" system implemented by another ESCO, the "pay for performance" system produced 3.7 times more savings per house at less than half the cost of the "pay per measure" system.

The LIAs would also contract for measurement and verification (M&V) services, so that the effectiveness of each contractor can be determined by a party without a financial stake in the findings. The previous work sponsored by CACD and DRA have assisted the development of a cadre of independent M&V experts available for this purpose. The utilities (or other entities) collecting customer usage information must make the information available to the LIAs and their contractors, to enable assessment of dwellings for weatherization services and to measure the results of treatments.

Existing utility-operated LIEE programs, including the balance of any contracts currently in place, would be transferred to the LIAs before January 1, 1998.

**A TALE OF TWO DSM LOW-INCOME RESIDENTIAL PERFORMANCE
BIDDING PROJECTS IN OREGON**

By

Kevin Bell, Convergence Research
Daniel Meek, Attorney and Consultant

Appendix J

PG&E, SDG&E AND SCE PROPOSAL FOR UTILITY DISTRIBUTION COMPANY ADMINISTRATION OF LOW-INCOME PROGRAMS

A PG&E, SDG&E AND SCE PROPOSAL FOR UTILITY DISTRIBUTION COMPANY ADMINISTRATION OF LOW-INCOME PROGRAMS

This proposal describes a model for utility distribution company (UDC) administration of surcharge-funded Low-Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) programs that serve the needs of our eligible low-income customers. The structural framework described in this document is proposed by Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE). This UDC administration model is also supported by Southern California Gas Company, Chase Shannon and Association of Southern California Environmental and Energy Programs (ASCEEP).

TRANSITION ISSUES

The structural framework proposed under the UDC administration model is entirely consistent with the principles established in AB 1890. Similarly, this proposal builds on the capabilities of existing institutions and the California Public Utilities Commission's (CPUC's) existing authority. Thus, adoption of this model will facilitate the transition to a restructured electric utility industry within the timeframe envisioned by the CPUC and the State legislature while also ensuring that the needs of our low-income customers will continue to be met in the restructured environment.

ESTABLISHMENT OF A LOW-INCOME BOARD

The key feature of this proposal is the creation of a new, statewide Low-Income Board (Board) (similar to and consistent with the Energy Efficiency Board proposed in the Energy Efficiency Working Group by Natural Resources Defense Council, SCE, PG&E, SDG&E, National Association of Energy Service Companies and others) that facilitates the CPUC's regulatory oversight of surcharge-funded low-income activities and plays a central role in the administrative process. There will be a single, statewide board for both CARE and LIEE programs. The Board will meet quarterly to conduct its regular business.

Board members will not be paid for their participation; however, they will be compensated for expenses incurred for Board business. The Board will not have a permanent staff. Instead, the UDCs and other Board members will provide support resources as appropriate.

Board Membership

The Board will be comprised of voting and non-voting members. Voting members will be appointed by the CPUC. Voting membership on the Board will consist of:

- One CPUC representative;
- One representative from each UDC;

- One regional low-income customer group representative from each of the UDC's service territories.

It is expected that many LIEE service providers (community-based organizations (CBOs) and other third-party providers alike) will provide valuable advice and assistance to the Board. However, unless the LIEE service provider is serving as an appointed regional low-income customer group representative, its participation will be limited to non-voting membership on the Board, participation on the Board's LIEE Technical Advisory Committee (described below), and/or participation in the Board's meeting as an interested stakeholder.

The Board will have discretion to offer non-voting membership to others based upon their potential for contribution. One of the Board's first tasks will be to appoint two representatives from CBOs whose members provide energy related services, and/or other third-party LIEE provider organizations to the Board as non-voting members. Additional/substitute non-voting members will be added by the Board as necessary.

The Board will have discretion to create advisory committees for the purpose of gaining information and advice on specialized areas of interest. One such advisory committee will be the LIEE Technical Advisory Committee described below.

In addition, the Board's meetings will be publicly noticed and open to the public so any and all interested stakeholders (including low-income customers) can provide input to the Board.

OVERVIEW OF ADMINISTRATIVE ROLES

Conceptually, the new Board is positioned between the CPUC and the UDCs in the administration and regulatory oversight processes. This central position facilitates the CPUC's decision-making process (while reducing CPUC resource requirements and administrative burdens) and provides the UDCs with valuable guidance during the planning process that will be reflected in the Board's recommendations to the CPUC. In addition, the use of one statewide board ensures that, to the extent that it is appropriate, there will be consistency among the programs offered through the various UDCs.

In general, the policy-making, administration and implementation functions of providing CARE and LIEE services to eligible customers would be structured as follows:

- The CPUC will retain its existing policy-making, regulatory oversight and authorization (decision-making) functions.
- The Board will review low-income program plans proposed by UDCs (and others) for conformance with adopted CPUC policy guidelines and provide recommendations and reports to the CPUC regarding the implementation of surcharge-funded low-income programs.

- The UDCs will be responsible for the administrative functions necessary for the certification and verification of eligible customers, the implementation of CPUC authorized activities in their own service territories, and the oversight of services delivered by CBOs and/or other third-party providers.

Policy Guidance

The Board will draft proposed general policy guidelines regarding the administration and implementation of low-income programs. These draft guidelines will be submitted to the CPUC for its review and approval. Once approved by the CPUC, the guidelines will be used by the Board as the “yardstick” for its annual review of proposed programs/associated budgets. Modifications to approved guidelines will be submitted for CPUC consideration by the Board if and as necessary.

LIEE Technical Advisory Committee

The Board will establish a LIEE Technical Advisory Committee. Committee members will serve at the discretion of the Board. The LIEE Technical Advisory Committee will be comprised of:

- One representative from the CPUC;
- One representative from each UDC’s LIEE program planning department;
- One CBO or third-party LIEE service provider representative from each of the UDC’s service territories; and,
- One representative from the State Department of Community Services and Development.

The Board will consider the LIEE Technical Advisory Committee’s recommendations when the Board reviews the UDCs’ program plans. The Board may solicit the advice and recommendations of the LIEE Technical Advisory Committee on issues ranging from consistency of programs between UDCs, other program design/re-design issues, periodic technical review, the selection and evaluation of services and measures to be provided, installation and technical standards and guidelines, measurement and evaluation criteria and protocols, training and licensing requirements, quality control policies and procedures for services rendered, and related technical and operational issues.

The LIEE Technical Advisory Committee will attend Board meetings as required; however, Committee members will not be paid for their participation.

Program Planning

Low-income program plans and budgets will be reviewed on an annual basis. In the third quarter of each year, each UDC (and any other interested stakeholder) will submit a

proposed program plan/associated budget for the following year to the Board for its review.

Each UDC's plan will address programs to be implemented in its own service territory. While regional administration along UDC service territories will provide opportunities to address the unique needs of each UDC's customers, the Board will review the plans with an eye on encouraging uniformity in program offerings across the State as appropriate. (Assuming, of course, that uniformity will be one of the policy guidance principles adopted by the CPUC.)

Each UDC's budget will not exceed the amount of low-income surcharge funds it collects from its own customers and surcharge funds collected in one UDC's service territory will not be transferred to another.

Streamlined Regulatory Process For Program/Budget Authorization

As described above, each UDC (and other interested parties, if applicable) submits a proposed program plan/associated budget to the Board each year. The Board reviews the proposed plan/budget for conformance with adopted CPUC policy guidelines.

If the Board determines that the proposed plan/budget is consistent with the CPUC's policy guidelines, the Board and UDC will jointly file a compliance advice letter with the CPUC that recommends approval. Unless unusual circumstances arise, jointly recommended program plans/budgets are to be approved by the CPUC without modification and without hearings or other unwarranted delay.

If the Board determines that the proposed plan/budget is inconsistent with CPUC policy guidelines, or if any party submitting a proposed plan/budget disagrees with the Board's recommendation, the various proposals and recommendations will be presented to the CPUC for its decision. If hearings are required, they will be expedited so that the CPUC can render a decision before the start of the program year.

These regulatory filings to the CPUC will be made concurrent with the Energy Efficiency Board's annual program plan/budget filing.

Program Implementation

For CARE activities, the UDC will administer and implement the program in its own service territory using funds collected from its own customers. For low-income energy efficiency activities, the UDCs will administer and implement CPUC approved activities and/or oversee those activities that are implemented by CBOs or other third-party service providers. Selection of low-income service providers will be administered by the UDCs through an open and objective process. As necessary, the results of this selection process will be submitted to the Board for review for consistency with CPUC policy guidelines.

Program Assessment/Regulatory Reporting

The Board will provide the CPUC with an annual report on program expenditures and results each year. The annual report will be filed concurrent with the Energy Efficiency Board's annual report.

The Board will provide the CPUC with an updated needs assessment every three years. The needs assessment will be designed to CPUC specifications.

POLICY CONSIDERATIONS

As it concerns the needs of California's low-income customers, the primary objective of the restructuring process must be to ensure that our low-income customers receive the same benefits provided by restructuring to all customers. This proposal meets this objective for our low-income customers while still allowing the CPUC to advance its restructuring agenda in a timely manner. Moreover, the creation of a single statewide Board provides a necessary foundation for streamlining the regulatory process while still retaining accountability for meeting public policy objectives.

UDC Administration Will Allow The CPUC To Achieve The Objectives Of Restructuring In A Timely Manner

The establishment of a new statewide Board described in this proposal is completely within the existing jurisdiction of the CPUC and will not require legislative action to implement by January 1998. Further, this CPUC/Low-Income Board/UDC administration framework is compatible with the principles established in AB 1890.

The UDC Provides Existing Infrastructure And Expertise That Will Be Needed In A Restructured Electric Utility Industry

The administration and facilitation of the delivery of CARE and LIEE programs require a substantial support infrastructure to be successful. A short list of the key elements of this infrastructure includes:

- billing and collection systems and capabilities;
- confidential, customer-specific information;
- accounting and auditing structures;
- program management expertise;
- forecasting and planning expertise;
- marketing expertise;
- functional one-way and two-way customer communications channels;
- reliable delivery channels;
- program evaluation expertise; and
- regulatory compliance and reporting expertise.

It would be a wasteful exercise and contrary to the CPUC's stated objectives to abandon the valuable infrastructure for the administration of low-income programs that exists today in the utilities. More importantly, the existing utility infrastructure provides the means to ensure that the needs of low-income customers will continue to be met in a restructured environment.

The UDC Provides For Regional Administration That Is Critical To Meeting Low-Income Customers' Needs

UDC administration allows program design to take into account the unique regional (and sometimes customer-specific) needs of our low-income customers while still capturing the benefits of statewide uniformity (where appropriate) that a single Board offers.

Perhaps more importantly, administration on a regional basis by UDCs provides our low-income customers with established and effective avenues for seeking assistance for their energy-related concerns. This customer protection aspect of UDC administration will become all the more important as the restructured environment creates new and unfamiliar issues and opportunities for our low-income customers.

The UDC Offers Enforceable Accountability For Results

The UDC will remain subject to the regulatory jurisdiction and oversight of the CPUC, therefore, the State retains the jurisdictional means to ensure that the administrator is truly accountable for the achievement of public policy goals.

Further, the State's jurisdiction over the UDC also provides interested stakeholders with an avenue for addressing concerns about the administrator's and/or Board's performance and, if necessary, a means of seeking recourse.

In addition, if appropriate incentives are provided for rewarding superior performance by the UDC administrator, the combination of enforceable accountability and the potential for earning incentives for superior performance creates a symmetrical risk/reward framework that reduces the need for command-and-control regulatory processes.

Appendix L

SOUTHERN CALIFORNIA GAS COMPANY'S POSITION ON THE RECOMMENDATIONS PROPOSED IN THE REPORT OF THE ELECTRIC RESTRUCTURING LOW-INCOME WORKING GROUP

SOUTHERN CALIFORNIA GAS COMPANY'S POSITION ON THE RECOMMENDATIONS PROPOSED IN THE REPORT OF THE ELECTRIC RESTRUCTURING LOW-INCOME WORKING GROUP

As restructuring of California's electric industry proceeds, Southern California Gas Company (SoCalGas) is concerned that changes enacted by the California Public Utilities Commission (CPUC) and/or the Legislature might be inappropriately applied to the gas industry. This paper outlines SoCalGas' thoughts about some of the major issues addressed in the Low-Income Working Group (LIWG) report, indicating where the changes seem appropriate and where they do not.

Initially, natural gas low-income issues were peripheral to the electric restructuring proceeding. The LIWG had been directed to make recommendations to the CPUC on alternatives for low-income programs in the restructured electric industry. However in June, the CPUC expanded the scope of the LIWG to include natural gas issues, pursuant to Senate Bill 678. The bill requires the CPUC to report to the Legislature by July 1997 on a recommended approach to financing low-income public policy programs that does not provide a competitive imbalance between utility natural gas providers and nonutility natural gas providers.

SoCalGas believes that low-income programs have functioned effectively through the initial stages of natural gas restructuring, and, with some modifications, will continue to function well. SoCalGas currently has proposals in its 1996 Biennial Cost Allocation Proceeding (BCAP) affecting its California Alternate Rates for Energy (CARE) program, and in its Performance Based Regulation Application, affecting its Direct Assistance Program (DAP). These are the proper venues for addressing SoCalGas' low-income issues. SoCalGas low-income programs need not be addressed in the electric restructuring proceeding. Indeed, because of some fundamental differences between the electric and gas industries, some of the recommended approaches for the electric industry could have negative impacts on the gas industry.

Needs

Enrollment in SoCalGas' CARE program is estimated to be 75 percent of the total eligible population in our service territory. SoCalGas believes that 75 to 80 percent of eligible CARE customers could be verified to participate in CARE, though probably only 50 to 60 percent of eligible customers will choose to participate given current outreach methods (e.g., bill inserts, information provided at turn-on of service), and benefit levels.

SoCalGas has weatherized approximately 27 percent of the total eligible low-income housing stock (over 390,000 homes) in our service territory. SoCalGas has evidence that as many as 75 percent of the eligible customers' homes have received weatherization services in some areas; DAP contractors report that it is difficult and more expensive to locate the remaining eligible customers in those areas. Given the number of years that federal, state, and utility weatherization programs have existed, SoCalGas believes that some areas may have reached their cost-effective penetration levels.

SoCalGas believes that whatever program modifications are established for CARE and DAP, they should include up-front verification of income eligibility, and they should not establish statewide standards for participation or penetration rates.

Surcharge

SoCalGas supports the current low-income surcharge method for gas-only utilities and their customers, with some modifications. Imposition of a statewide low-income surcharge on gas utility customers is not needed, but some changes are necessary to make the current surcharge method function more effectively.

If the CPUC orders that a statewide surcharge be levied on SoCalGas' customers, the surcharge must be totally nonbypassable. Customers should not be able to avoid the surcharge by taking service from a nonutility provider or by using a competitive fuel, like propane or butane, fuel oil, or electricity. Even if these conditions can be met, SoCalGas questions whether the surcharge can be truly nonbypassable because facilities and/or production can be moved to another state to avoid the surcharge.

If the implementation of a nonbypassable surcharge is impractical, then the surcharge should be limited to residential usage. There are two reasons for doing this. The first is philosophical -- the residential class receives the bulk of the benefits from low-income programs. The second is practical -- the imposition of a bypassable surcharge on the largest commercial and industrial gas customers would have potentially negative impacts in the most competitive gas markets.

If the surcharge does not exempt nonresidential usage, there are several surcharge cost allocation options which are superior to the current surcharge cost allocation method -- "equal cents per therm" -- in minimizing negative competitive impacts. The "equal cents per therm" method places a disproportionate burden on the largest commercial and industrial gas customers.

Options include applying the surcharge to only the first 250,000 therms used by customers each year. This would reduce the price disparity between SoCalGas and other suppliers not subject to the surcharge in the most competitive gas market segments. It distributes the burden of the surcharge more equally when looking at the surcharge as a percentage of a customer's bill. This proposal is contained in the SoCalGas BCAP.

Another option which has emerged in the LIWG discussions is to impose the surcharge on an "equal percent of bill" or "equal percent of marginal cost" basis. For these options, the surcharge paid by customers is driven by the amount of revenue generated by the customer, rather than the volume of usage. It equalizes the burden borne by each customer class by making the surcharge an equal percentage of customers' overall utility bill.

There are fundamental differences in the rate structures, throughput and customer composition between the electric utilities and the gas utilities, which cause the "equal cents per kWh" to have

less of an impact on electric commercial and industrial customers than an "equal cents per therm" surcharge has on similar gas customers. These differences are:

The variation in rates between residential customers and commercial/industrial customers is much greater in the gas industry than the electric industry primarily due to the fact that the gas commodity is unbundled. As a result, any surcharge levied on an "equal cents per therm" basis will place a greater burden on a gas commercial/industrial customer than an "equal cents per kWh" will place on a commercial/industrial electric customer.

Residential customers generate a much larger percentage of gas revenue than electric revenue. As a result, the CARE subsidy is a much larger percentage of revenues than for electric utilities.

Electric utility customer classes who pay the CARE surcharge without benefit (i.e., nonresidential customers) constitute a greater percent of total electric revenue than do gas customers who pay the surcharge. There is a smaller revenue base against which the gas industry can levy the surcharge and, as a result, the burden on those who pay is greater.

The net effect of these differences is that an "equal cents per therm" gas surcharge will place a larger burden on gas commercial and industrial customers than an "equal cents per kWh" surcharge will place on electric commercial and industrial customers. For that reason, SoCalGas believes the surcharge must be treated differently in the gas industry.

The differences outlined above are illustrated with some examples. First, the rate variation differences are rather dramatic. For SoCalGas, a residential customer pays about 65 cents per therm for natural gas delivered to the meter. A large industrial customer pays about 25 cents per therm, but only 10 cents per therm to the gas utility. A surcharge of 1 cent per therm is 4 percent of the industrial rate, but 10 percent of the cost of service provided by the utility. In contrast, a 1 cent surcharge is 1.5 percent of the residential rate. Thus, the industrial customer's burden is about 2.5 times greater than the residential burden. Because of differences in cost to serve, the burden of the surcharge in the gas industry will always be greater for commercial and industrial customers than for the electric industry when the surcharge is imposed on "equal cents per therm" and until unbundling occurs in the electric industry, the competitive threat of uneconomic bypass due to social cost surcharges will be substantially higher in the gas industry.

Residential gas customers generate a larger portion of total gas revenue than do residential electric customers. For example, SoCalGas residential customers generate 63 percent of total gas revenue, while Edison residential customers generate about 38 percent of total electric revenue. So if the CARE customers for each utility made up 10 percent of residential revenue, the 15 percent discount would be 0.5 percent of Edison's revenue. For SoCalGas, the subsidies would be 0.95 percent -- or 65 percent greater. Given the current rate structure and volumes of throughput, SoCalGas will have a substantially greater portion of its revenue base receiving subsidies than the electric utilities.

With a larger percent of gas revenue likely to receive the CARE subsidy, the gas industry has a much smaller nonresidential revenue base from which to collect the surcharge. Since wholesale and electric utility gas throughput is currently exempted from the CARE surcharge, only 30.3 percent of total revenue is nonresidential revenue that pays the CARE surcharge in comparison to 51.4 percent for Edison. Electric utilities have almost 70 percent more nonresidential revenue over which to spread the CARE program costs.

The above differences create a situation in which an "equal cents per kWh" surcharge has a differential impact on electric customer classes, but an "equal cents per therm" surcharge has a significantly greater impact on gas commercial and industrial customers.

Funding

SoCalGas recommends that if a gas surcharge is implemented by the CPUC, the funds should be collected based on the needs within each utility service territory and disbursed by each utility to meet those needs. The surcharge should also appear as a separate line item on the bill, and it should be reviewed annually. In addition, low-income expenditures by the utilities should remain subject to balancing account treatment.

Administration

SoCalGas believes that utilities have demonstrated they are effective administrators of low-income programs. This should continue. SoCalGas does believe the recommendation of a Low-Income Board to the CPUC has merit and should be adopted.

SoCalGas does not think that a statewide entity can deliver low-income services as effectively as it currently delivers them. SoCalGas has developed efficient delivery channels and has expert staff, low costs and a high level of trust with our customers. It also has appropriate incentives to be efficient.

If a statewide entity is established to administer low-income assistance programs, the effectiveness and efficiency of the new entity should be tested for the first two years in some type of pilot effort. If it is found to be less efficient than past utility administration, the entity should be disbanded and low-income program administration returned to the utilities.

Baseline

SoCalGas believes that as the energy industry becomes more competitive, energy rates should reflect the actual cost of providing energy services. When moving towards cost-based rates for utility customers, artificial rate structures such as the baseline inverted rate structure often result in unintended consequences. Thus the current baseline rate structure should be reformed.

As the fixed costs of utility service are removed from rates and separately recovered from customers through fixed charges, such as a customer charge, the baseline volume allocations and rates associated with these allocations must be adjusted. Continued application results in rates

that do not reflect cost of service, cause significant cross-subsidization and, in many cases, lead to large energy users subsidizing smaller volume users.

While SoCalGas recognizes that the statutory basis of the baseline rate program is predicated upon the State's interest in fostering energy resource conservation, numerous regulatory measures will continue to encourage conservation as the energy industry is restructured and becomes more competitive. In this context, the efficacy of the baseline rate structure should be addressed.

Eligibility

SoCalGas recommends that a single income-eligibility criterion -- 150 percent of the federal poverty guideline -- be established for low-income energy programs. Before they receive services, customers should provide satisfactory evidence to the utility that they meet the income-eligibility guidelines. Customers should be required to re-apply for CARE benefits at least every two years.

Rate Assistance

SoCalGas also believes that a fixed-benefit option will provide low-income benefits in a way that maximizes their value to CARE participants. In lieu of the 15 percent discount of gas charges on the monthly bill for CARE customers, SoCalGas proposes to provide a fixed monthly credit on the bill. This credit would appear on bills for six months during the winter heating season when bills are generally higher. In its BCAP, SoCalGas proposes that the monthly CARE heating season credit be initially \$9.45 per month for single-family customers and \$5.50 per month for customers in multi-family housing.

SoCalGas also proposes to revise the discount on its service establishment charge (SEC) for CARE participants. SoCalGas proposes a 15 percent discount off the SEC, rather than the existing 80 percent discount.

Energy Efficiency

As indicated earlier, SoCalGas believes that establishing a Low-Income Board (Board) has merit. The Board could monitor the impacts of electric restructuring on low-income customers and advise the CPUC if program adjustments seem necessary. It could also assist with technical and/or operational redesign issues for energy efficiency programs. Otherwise, the current process functions well; utilities have a well-established track record of delivering low-income weatherization services.

SoCalGas is certain that legitimate comments can, and ought to, be made regarding program measures. The report, though not explicit, suggests that currently non-mandated measures ought to be mandated in the future, affecting shareholder earnings potential. We believe that such a change should be limited to electric utilities. If gas utilities are included, SoCalGas believes that the affects of mandating measures which are now discretionary should be assessed.

(SoCalGas suggests that more focus be placed on serving the low-income community better. This would mean paying more attention to the current mandated measures and evaluation of their affect over the past 13 years. Consideration of climatic and regional variations might also be helpful.)

In addition, SoCalGas cannot support two newly-proposed program measures: employment opportunity and community redevelopment. While SoCalGas believes that such ancillary benefits may be attributed to DAP, it is not the primary purpose of the program and should not be funded through utility rates.

Finally, some of the measures are not contained in existing legislation. SoCalGas believes that previously-unspecified measures need to be defined. For example, what is meant by "improve appliance serviceability?"

Energy Education

SoCalGas believes that energy education is a necessary component of electric restructuring. Public support should be maintained for market transformation activities by encouraging electric utilities to provide information in order to transform the market to a point where public intervention is no longer needed.

SoCalGas offers energy education through workshops (conducted by local community-based organizations) and in-home energy education through its DAP. Until recently, the benefits customers received from energy education were unknown.

SoCalGas' preliminary survey results show that customers find in-home energy education (conducted prior to the installation of energy efficiency measures in the home) to be valuable; no comparable data exist for energy education workshops. Since 1990, 158,000 customers have had in-home energy education through DAP, and nearly 88,000 customers have attended energy education workshops. Of the two, the per-participant workshops costs are nearly three times higher than for in-home energy education.

SoCalGas is concerned that the purpose of "energy education" was expanded to include consumer protection education. SoCalGas believes this expanded scope of energy education goes beyond the scope of activities to be considered by the LIWG. If the CPUC adopts this expanded view of energy education, it should be limited to the electric utilities.

If gas utilities are included, SoCalGas has serious reservations about the expansive approach (and expense) of broadened energy education. This expansion will create a cost burden that may mean significantly fewer services being provided to low-income customers within existing resources and/or vastly increased program costs.

SoCalGas continues to support energy education as a component of low-income energy efficiency programs. In-home energy education has been proven to add value; the results of in-home energy education can be measured at a reasonable cost.

The proposed energy education workshops are entirely different. SoCalGas believes that energy education workshops will add to program costs, possibly at the expense of other low-income activities.

Consumer Protection

SoCalGas agrees that educating consumers will promote a competitive marketplace if it helps them make informed choices, explains potential abuses, and discloses avenues of redress. SoCalGas believes such educational efforts may extend throughout the five-to-ten year transition period and beyond, and that low-income customers will likely require more assistance than the average consumer. Still, SoCalGas believes the provisions for consumer protection should be limited to electric utilities, as gas industry restructuring has been underway for several years now and will proceed on a timeline different than electric industry restructuring.

If the consumer protection provisions are applied to gas utilities, the broad scope of consumer protection outlined in the report is inappropriate. The report recommends establishing an energy education trust fund to educate small consumers, not just low-income customers. On the electric side, this could be funded via the Competition Transition Cost surcharge. There is no proposal to fund or administer the gas-portion of the trust to assure that customers of gas-only utilities benefit.

The broad education trust proposal will be costly, and ought to be rolled out in stages. All education expenditures should be based on an assessment of needs for each fuel, and subject to cost-effectiveness review after two years (especially for gas). Finally, some costs should be borne by the consumers that benefit.

The report contains proposals to remedy abuses experienced during the deregulation of the telecommunications industry. The deregulated gas industry has not experienced as wide a range of abuses. SoCalGas believes it is inappropriate for its ratepayers to remedy abuses caused by electric deregulation.

SoCalGas believes that its currently-effective tariffs provide reasonable safeguards for consumers. The tariffs provide a balance that is lacking in the consumer protection section: consumers' rights entail responsibilities.

Finally, SoCalGas believes that current law adequately protects customers' right to privacy. However, respect of individual privacy rights does not eliminate a utility's proprietary interest in the records gathered and maintained by it in the course of business. Accordingly, customers cannot and should not have absolute control, outside of statutory rights, over the use of proprietary information.

Appendix M

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT COMMENTS ON UTILITY COMPANY SELF-CERTIFICATION PROGRAM

Comments by Department of Community Services and Development Concerns

RE: Regarding Utility Company Self-Certification Program

Following are the Community of Service Development's concerns regarding utility company program self-certification. The intent of the low-income programs is to not provide assistance to ineligible customers. By doing so, it is a very costly proposition and an inappropriate way of doing business.

In 1993 the California Public Utilities Commission (CPUC) contracted with SRI International to conduct a study of California Utility Lifeline Telephone Services (ULTS) participants. ULTS is currently a self-certification program. They surveyed 4,691 current ULTS customers via telephone contact. Of the customers surveyed, 9.2% were ineligible; the report indicated that it could be as high as 10.5%.

Using the 9.2% as the basis, this percentage would equate to approximately \$33 million in benefits to ineligible customers statewide which is subsidized by other utility ratepayers. In addition, telephone companies are currently considering eliminating self-certification for this reason. When the Sacramento Municipal Utilities District changed from a self-certification program to an income verification process, 35% of its Energy Assistance Program Rate (EAPR) participants were no longer eligible.

In 1995, 6.6% of households applying for the Home Energy Assistance Program (HEAP) were denied assistance because their household income was over the income guidelines. Had the program not have verified the household's income prior to receiving assistance, \$3,388,125 of HEAP funds would have been paid to ineligible households. Based on the above, it is fair to conclude that if HEAP was a self-certification program, a far greater number of ineligible households would receive HEAP benefits.

In closing, CSD firmly believes that it is not viable to allow utility companies to opt for self-certification.

Appendix N
ACRONYMS

ACRONYMS

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|------------|--|
| AARC | American Association of Retired Persons |
| AB | Assembly Bill |
| ACR | Assigned Commissions Ruling |
| ARCA | Appliance Recycling Centers of America |
| ARNCEP | Association of Rural Northern California Energy Programs |
| ASCEEP | Association of Southern California Environment and Energy Programs |
| BCAP | Bennial Cost Allocation Proceeding |
| Board | Governing Board |
| Cal/Neva | California Nevada Community Action Association |
| CACD | Commission Advisory and Compliance Division |
| CARE | California Alternate Rates for Energy |
| CBOs | Community Based Organizations |
| CEC | California Energy Commission |
| Commission | California Public Utilities Commission |
| COU | Community Owned Utility |
| CPUC | California Public Utilities Commission |
| CSD | California Department of Community Services & Development |
| CTC | Competition Transition Charge |
| D. | Decision |
| DAP | Direct Assistance Program |
| DAWG | Direct Access Working Group |
| DRA | Division of Ratepayer Advocates |
| DSM | Demand Side Management |
| DWP | Direct Weatherization Program |
| ECPK | Equal Cents per Kilowatt-hour |
| ECPT | Equal Cents per Therm |
| EDF | Environmental Defense Fund |
| EE | Energy Efficiency |
| EMG | Environmental Marketing Group |
| EMS | Energy Management Services |
| EnergyEd | Energy Education |
| EPMC | Equal Percent of Marginal Cost |
| EPRI | Electric Power Research Institute |
| ESCO | Energy Services Companies |
| ESP | Energy Service Providers |

| | |
|------------------|--|
| EULC | End User Line Charge |
| FERC | Federal Energy Regulatory Commission |
| FPL | Federal Poverty Level |
| GB-LIES GROUP | Low-Income Energy Assistance Governing Board Low-Income Working Group |
| IA | Independent Administrator |
| IOU | Investor Owned Utility |
| IPP | Independent Power Producer |
| JPA | Joint Powers Agency |
| kWh | Kilowatt-hour |
| LDC | Local Distribution Company |
| LIA | Low-Income Administrator |
| LIRA | Low-Income Ratepayer Assistance |
| LIEE | Low-Income Energy Education |
| LIHEAP | Low-Income Home Energy Assistance Program |
| LIWG | Low-Income Working Group |
| M&E | Measurement & Evaluation |
| MUNI | Municipal Utility |
| NAESCO | National Association of Energy Services Companies |
| NCLC | National Consumer Law Center |
| NRDC | Natural Resources Defense Council |
| ODR | Office of Demographic Research |
| OII | Order Instituting Investigation |
| OIR | Order Instituting Rulemaking |
| PAB | Public Authority Board |
| PGC | Public Goods Charge |
| PG&E | Pacific Gas & Electric Company |
| PU Code | Public Utilities Code |
| RESCUE/SESCO | Residential Energy Services Companies' United Effort/SESCO |
| REB | Ratepayer-Elected Boards |
| RFP | Request for Proposal |

| | |
|----------|---------------------------------------|
| SB | Senate Bill |
| SCE | Southern California Edison Company |
| SEC | Service Establishment Charge |
| SoCalGas | Southern California Gas Company |
| SDG&E | San Diego Gas & Electric Company |
| SESCO | SESCO |
| SMUD | Sacramento Municipal Utility District |
| SSI | Supplemental Security Income |
| TURN | Toward Utility Rate Normalization |
| UDC | Utility Distribution Company |
| ULTS | Universal Lifeline Telephone Service |

Appendix O

LOW-INCOME WORKING GROUP MEETINGS AND ACCOMPLISHMENTS

LOW-INCOME WORKING GROUP MEETINGS AND ACCOMPLISHMENTS

April 9, 1996: 926 J Street, 2nd Floor; Sacramento; hosted by Cal/Neva

Accomplishments: Group discussed formation and internal organization of the Low-Income Working Group (LIWG or Group) and outlined issues to be discussed in order to meet the Commission's guidelines. Group decided to submit letters requesting recognition and assistance of a facilitator.

April 26, 1996: California Public Utilities Commission; San Francisco

Accomplishments: Group received feedback on the April 22, 1996, Scoping Meeting before the Assigned Commissioners. Discussion focused on development of needs analysis, inclusion of consumer protection and education issues in the report, and report writing process and timeline.

May 6, 1996: Southern California Edison, Fullerton; hosted by Edison

Accomplishments: Each utility provided the group with a report on their Low-Income Energy Efficiency Programs. Group conducted final review of the report outline, named a Coordinating Committee to develop future meeting schedules and prioritize workload, and outlined Guiding Principles for the LIWG.

May 22, 1996: Pacific Gas & Electric Company, San Francisco; hosted by PG&E

Accomplishments: Coordinating Committee presented its recommended schedule which provided submission deadlines for each writing team and outlined agenda items for each meeting. Group conducted information gathering sessions for the Needs Analysis and Administration chapters.

June 5, 1996: Koni Kai Plaza, San Diego; hosted by SDG&E

Accomplishments: Group conducted discussion on Baseline Rates and Consumer Protection Education Issues.

June 20, 1996: San Francisco EOC, San Francisco; food provided by PG&E

Accomplishments: Group conducted information gathering on Funding Proposals and Surcharge Implementation and Collection. Dave Gamson, Advisor to Commissioner Neeper, made a presentation to the group and responded to questions. Through memos from the CPUC, the LIWG was given further

June 20, 1996: San Francisco EOC, San Francisco; food provided by PG&E

Accomplishments: direction concerning the level of detail needed in the report and was asked to include natural gas issues within the report.

July 1, 1996: Sheraton Gateway LAX, Los Angeles; hosted by SoCalGas

Accomplishments: Group conducted information gathering on CARE, Weatherization, and Energy Education Program Design. SoCalGas made a presentation on their proposed changes to the CARE program.

July 16, 1996: Headquarters, San Diego Gas & Electric Company, San Diego; hosted by SDG&E

Accomplishments: Group reviewed and discussed first round drafts of the Needs Analysis and Administration chapters.

July 25, 1996: Headquarters, Sacramento Municipal Utility District, Sacramento; hosted by SMUD

Accomplishments: Group reviewed and discussed first round drafts of the Baseline Rates and Surcharge Implementation/Collection chapters. Additional discussion occurred on Program Design issues.

July 26, 1996: Headquarters, Sacramento Municipal Utility District, Sacramento; hosted by SMUD

Accomplishments: Group reviewed and discussed first round drafts of the Funding Proposals, Consumer Protection, and Energy Education chapters.

August 8, 1996: Pacific Gas & Electric Company, San Francisco; hosted by PG&E

Accomplishments: Group reviewed and discussed first round drafts of the CARE, Energy Efficiency and Energy Education Program Design Chapters. Preliminary discussions were held on needed legislation.

August 22, 1996: Sheraton Gateway at LAX, Los Angeles; hosted by Edison

Accomplishments: Began review of draft report.

August 29, 1996: SoCalGas' Northern Region Headquarters, Chatsworth; hosted by SoCalGas

Accomplishments: Editing Committee met to begin the process of integrating the chapters into a report. Agreed to survey Group to determine support, opposition or neutrality for positions stated in report. Agreed to delete positions not supported by any Party in the Group. Chapter revision assignments made.

September 3, 1996: SoCalGas' Northern Region Headquarters, Chatsworth; hosted by SoCalGas

Accomplishments: Editing Committee met to review the results of the chapter revision assignments. Chapter editors provided list of issues for ballot survey. Two members of Editing Committee assigned to prepare and mail first draft of entire report.

September 9, 1996: Headquarters, Sacramento Municipal Utility District, Sacramento; Hosted by SMUD

Accomplishments: The Group met to discuss the first draft of the report. The Group agreed: (1) to convert the ballot into a survey, (2) that the final report should reflect the lack of consensus on most positions presented in the report, (3) that the next draft should identify the purpose of each chapter (i.e., what the Group expected the CPUC to do with the information provided), (4) that the next draft of the report should be complete and be received a few days in advance of the next meeting, (5) to request another extension for submitting the final report, and (6) a timetable for submitting comments, incorporating revisions and reflecting newly proposed positions in the final report.

September 16, 1996: Edison's Customer Communications Center, Long Beach; hosted by Edison

Accomplishments: Editing Committee met to review chapter revisions and survey results.

September 23, 1996: Sheraton Gateway LAX, Los Angeles; hosted by SoCalGas

Accomplishments: The Group met to discuss the last draft of report.

September 24, 1996: Sheraton Gateway LAX, Los Angeles; hosted by SoCalGas

Accomplishments: The Group provided instructions to the Editing Committee to finalize the report, and submit it to the CPUC and electric restructuring service list on October 1, 1996.